

# **The Battle for the American Couch Potato: Online & Traditional TV and Movie Distribution**

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# Contents

**COMMENTARY.....6**

**SECTION ONE: US TV SUBSCRIBERS, ACCESS REVENUE, PROGRAMMING SPEND VERSUS OTT .....8**

TV Access Revenue, Broadcast & Cable Network Advertising, Programming & Retransmission Large and Still Growing Despite Rising OTT, Broadband Subscribers & Cord Cutters/Nevers .....8

    Estimated US Households, TV Subscribers, Cord Cutter/ Never Households, Residential Internet Subscribers, 2015-2018 .....9

    Estimated US TV Subscribers by Cable, Satellite, Telco TV, 2015-2019 .9

    Estimated US TV Access Revenue by Cable, Satellite, Telco, and ARPU, 2015-2019 .....10

    Estimated TV Revenue by Comcast, Charter, Cox, Altice, DirecTV, Dish, 2015-2019 .....10

    Estimated US TV Subscribers by Comcast, Charter, Cox, Altice, DirecTV, Dish, AT&T, Verizon, Frontier, CenturyLink, 2015-2019 .....11

    Estimated US Residential High Speed Subscribers by Comcast, Charter, Cox, Altice, AT&T, Verizon, Frontier, CenturyLink, 2015-2019 .....11

    Estimated US Residential Internet Subscribers by High Speed Cable, Telco, Other Broadband, and as Percentage of All US Residences, Total Revenue and ARPU, 2015-2019 .....12

    Estimated Residential Internet Access Revenue by AT&T, CenturyLink, Frontier, Verizon, Charter, Comcast, Cox, Altice 2015-2019 .....12

Cord Cutter/Nevers: Accelerating .....13

    US Cord Cutter/ Never Household Model, 2008-2019 .....13

Bandwidth Caps/Metered Billing/Overage Fees: TV/Internet Access Players' Potential Advantage.....15

OTT Challengers.....17

    Estimated Programming Sales by Cable Networks, Pay/PPV/VOD, Retransmission/Other to US Cable, Satellite, Telco TV Providers, 2015-2018.....18

    Estimated Programming Expenditures by US Cable and Satellite/ Telco TV Providers, 2015-2018 .....18

    Estimated Programming Expenditures by AT&T/DirecTV, Charter, Comcast, Dish, 2015-2018.....18

    Estimated US Broadcast & Cable Network TV Advertising Revenue, Online Broadcast/Cable Network TV Advertising Revenue, Online Share of TV Advertising Revenue, 2015-2019 .....19

|   |    |
|---|----|
| Estimated US OTT Subscribers by Netflix, Amazon Prime, Hulu, CBS All Access, Cinemax, DirecTV Now, HBO Now, Layer3 TV, PS Vue, Showtime, Sling TV, Starz, YouTube, and Fox Soccer 2GO-FuboTV-Ice-MLB.TV-MLS Live-MyOutdoorTV-NBA League Pass-NFL Game Pass-NHL.TV-PGA-WWE, and Acorn-Boomerang-BritBox-Comic-CONtv-Crunchyroll-Dove-History-Noggin-Seeso-True Crime-Walter, and Brown Sugar-CuriosityStream-Docu-Fandor-FilmStruck-Lifetime-Shudder-Sundance-Tribeca-Urban Movie-Warner, 2015-2019..... | 20 |
| Estimated US OTT Revenue by Netflix, Amazon Prime, Hulu, CBS All Access, Cinemax, DirecTV Now, HBO Now, Layer3 TV, PS Vue, Showtime, Sling TV, Starz, YouTube, and Fox Soccer 2GO-FuboTV-Ice-MLB.TV-MLS Live-MyOutdoorTV-NBA League Pass-NFL Game Pass-NHL.TV-PGA-WWE, and Acorn-Boomerang-BritBox-Comic-CONtv-Crunchyroll-Dove-History-Noggin-Seeso-True Crime-Walter, and Brown Sugar-CuriosityStream-Docu-Fandor-FilmStruck-Lifetime-Shudder-Sundance-Tribeca-Urban Movie-Warner, 2015-2019.....     | 21 |
| Estimated US OTT ARPU by Netflix, Amazon Prime, Hulu, CBS All Access, Cinemax, DirecTV Now, HBO Now, Layer3 TV, PS Vue, Showtime, Sling TV, Starz, YouTube, and Fox Soccer 2GO-FuboTV-Ice-MLB.TV-MLS Live-MyOutdoorTV-NBA League Pass-NFL Game Pass-NHL.TV-PGA-WWE, and Acorn-Boomerang-BritBox-Comic-CONtv-Crunchyroll-Dove-History-Noggin-Seeso-True Crime-Walter, and Brown Sugar-CuriosityStream-Docu-Fandor-FilmStruck-Lifetime-Shudder-Sundance-Tribeca-Urban Movie-Warner, 2015-2019.....        | 22 |
| Estimated Programming Expenditures for the US Market by Netflix, TV Access Providers, and Per Subscriber Spend Netflix Versus TV Access Providers, 2015-2017 .....  | 23 |
| Estimated Netflix and TV Access Provider Content Costs as a Percentage of Revenue, 2015-2017 .....  | 23 |
| Estimated Average Hourly Cost of Viewing by US Cable/Satellite/Telco TV Access Provider, Apple iTunes, Amazon Prime, Hulu, Netflix.....   | 24 |
| Netflix’s Global Strategy: Programming Spend, Originals, Price Rises, Margin Compression, US Subscriber Growth Slowing, International Must Lead the Way.....  | 25 |
| Netflix Financial Model, 2012-2017 .....  | 25 |
| Estimated Netflix Content Obligations, 2014-2016.....   | 25 |
| Estimated Netflix Subscribers by US (by Streaming, Streaming-Only, DVD, DVD-Only), Canada Streaming, International Streaming, 2015-2019.....  | 26 |
| Amazon Prime Video: Domestic & Global Leverage, Netflix’s Frenemy .....   | 33 |
| Broadcast/Cable Network OTT Programmers: Hulu and CBS All Access.....   | 37 |
| OTT Channel Bundle, Direct Competition Requires Selection & Price: AT&T’s DirecTV Now, Dish’s Sling TV, Google’s YouTube TV, Layer3 TV, Sony PlayStation Vue.....   | 40 |
| Pay-TV’s Natural OTT Play: HBO Now, Cinemax, Showtime, Starz.....   | 45 |

|  |    |
|--|----|
| Sports OTT: Fox Soccer 2GO, FuboTV, Ice Network, MLB.TV, MLS Live, MyOutdoorTV, NBA League Pass, NFL Game Pass, NHL.TV, PGA Tour Live, WWE Network.....  | 46 |
| Niche OTT Play: A&E's Lifetime Movie Club and History Vault, AMC's Acorn TV, BritBox, Shudder, Sundance Now, Urban Movie Channel, Bounce TV's Brown Sugar, Channel 4's Walter Presents, CuriosityStream, Cinedigm's CONtv, Docurama, Dove, Discovery's True Crime File, Fandor, Lionsgate's Comic-Con HQ and Tribeca Shortlist, NBCUniversal's Seeso, Otter Media's Crunchyroll, Time Warner's Boomerang, FilmStruck Warner Archive, Viacom Nickelodeon's Noggin ..... | 48 |
| OTT From Movie/TV Rental & Sales Market Perspective .....  | 52 |
| Estimated US Movie/TV Rental by OTT, Redbox Kiosk, Cable/Satellite/Telco VOD, Online Transactional, Store, Netflix Mail, and US Movie/TV DVD/Blu-ray/Download Sales (including by Download), and US Box Office, 2015-2019 .....  | 52 |
| Estimated OTT, Redbox Kiosk, Cable/Satellite/Telco VOD, Online Transactional, Store, Netflix Mail Market Share of US Movie/TV Rental Revenue, and Estimated Download Market Share of US Movie/TV DVD/Blu-ray/Download Sales Revenue (including by Download), 2015-2019 .....   | 53 |
| OTT Dominates Movie/TV Rentals, Redbox Kiosks & Rental Revenue in Secular Decline, Cable/Satellite/ Telco TV VOD Growth Constrained, Online Transactional Modest Market Share, Store & Mail Shells of Their Past...Download Sales .....  | 54 |

**SECTION TWO: US TV AND ONLINE ADVERTISING, FREE & AUTHENTICATED ONLINE BROADCAST, CABLE, PAY TV ..... 56**

|   |    |
|---|----|
| Estimated US Broadcast & Cable Network TV Advertising Revenue, Online Broadcast/Cable Network TV Advertising Revenue, Online Share of TV Advertising Revenue, 2015-2019 .....       | 57 |
| Estimated US Online Advertising Market Revenue by Google, Facebook, Broadcaster/Cable Network TV, Other, 2015-2019 .....  | 58 |
| Estimated US Online Advertising Market Share by Google, Facebook, Broadcast/Cable Network TV, Other, 2015-2019 .....  | 59 |
| Google/YouTube's TV Aspirations, Finally a Go!...Here Comes Facebook.....   | 60 |
| Amazon, AMC, AT&T/DirecTV, Comcast/NBCU, Discovery, Disney, IAC, Lionsgate, NBCU, RTL, Time Warner, 21 <sup>st</sup> Century Fox, Verizon, Vivendi's Online Investments .....       | 62 |
| Broadcast, Cable, Pay TV Online .....   | 63 |
| Online Revenue and Viewing Methodology .....  | 63 |
| Estimated Percentage of US Average Weekly Viewers That Watch Free Online Full Episodes by Broadcast Network, Cable Network, and Broadcast/Cable Network Viewership, 2015-2018 ..... | 64 |
| Estimated US Online TV Advertising Revenue by CBS, Disney/ABC, NBCUniversal, Scripps Networks, Time Warner, 21 <sup>st</sup> Century Fox, Viacom, 2015-2017 .....                   | 65 |

|  |           |
|--|-----------|
| Estimated US DVR Subscribers by Cable, Satellite, Telco, and as Percentage of Total TV Subscribers, 2015-2019 .....  | 66        |
| Estimated DVR Subscribers and Penetration by AT&T, Charter, Comcast, DirecTV, Dish, Verizon, 2016 and 2017 .....   | 66        |
| Broadcast Network TV Online: No Free Viewing Growth, Authentication & Windowing, Hulu-Yahoo No Longer Pivotal .....  | 67        |
| Estimated Percentage of US Average Weekly Viewers That Watch Free Online Broadcast Full Episodes by ABC, CBS, Fox, NBC, 2015-2018 ...  | 67        |
| Cable Network TV Online: Limited Free Viewing & Offerings, Highly Authenticated .....  | 69        |
| Estimated Percentage of US Average Weekly Viewers That Watch Free Cable Network Online Full Episodes by AETN, Disney, NBCUniversal, Scripps Networks, Time Warner, Viacom, 2015-2018 . | 69        |
| Pay-TV Online: No Free, Highly Authenticated .....   | 72        |
| <b>SECTION THREE: PROFILES .....</b>   | <b>73</b> |
| A&E Networks .....   | 74        |
| Amazon Prime .....   | 75        |
| AMC Networks .....   | 79        |
| AT&T/DirecTV .....   | 81        |
| CBS .....  | 83        |
| Comcast/NBCUniversal .....   | 85        |
| Dish/Sling TV .....  | 87        |
| Google/YouTube .....   | 89        |
| Hulu .....   | 91        |
| Netflix .....  | 93        |
| Scripps Network Interactive .....  | 99        |
| Sony .....   | 100       |
| Time Warner .....  | 102       |
| 21 <sup>st</sup> Century Fox .....   | 105       |
| Viacom .....   | 106       |
| Walt Disney .....  | 107       |

## Commentary

Now in its 11th year of publication, **The Battle for the American Couch Potato: Online & Traditional TV and Movie Distribution** (108 pages) contains detailed analysis by **Company & Market**. In addition to Convergence analysis, sources include company interviews, annual/quarterly reports & presentations, US Census. **Commentary, please see Table of Contents for what is included in this Report:**

We estimate 2016 US Cable, Satellite, Telco TV access provider (not including OTT) revenue grew 3% to \$107.3 billion (\$91/mo. ARPU) and forecast \$109.6 billion (\$95/mo. ARPU) for 2017, programming costs continue to grow in the high single digits. In contrast, we estimate US OTT access revenue (based on 46 OTT providers and led by Netflix) grew 32% to \$8.3 billion in 2016 and forecast \$11.2 billion for 2017 and \$14.7 billion for 2018. We estimate OTT will represent 74% of US Movie/TV Rental revenue YE2017, from 65% YE2016.

US TV subscriber losses and cord cutter/never household additions saw a major increase in 2016 as compared to 2015: We estimate 2016 saw a decline of 2.05 million US TV subscribers, 2015 saw a decline of 1.16 million, and forecast a decline of 2.11 million TV subscribers for 2017. As illustrated in our US Cord Cutter/ Never Household Model, 2010 saw the start of the rise in cord cutter/never households. As of YE2016 we estimate 27.2 million US households (22.3% of HHs) did not have a traditional TV subscription with a Cable, Satellite, or Telco TV access provider, up from 24.2 million (20% of HHs) YE2015, and we forecast 30.3 million (24.6% of HHs) YE2017. 2015 saw 2.1 million, 2016 3 million, and we forecast 3.1 million 2017 cord cutter/never household additions.

We estimate US residential broadband subscribers grew to 94.5 million in 2016 and forecast 97.2 million YE2017, hence there will be more residential broadband subscribers than TV subscribers before YE2017. We estimate US residential broadband access revenue at \$51.3 billion 2016 and forecast \$54.7 billion for 2017. Over the last five years Cable has added nine times the residential broadband subs the Telcos have.

We estimate Broadcast & Cable Network Online TV advertising represented 4.6% (\$3.64 billion) of 2016 US TV advertising revenue, and forecast 4.9% for 2017.

Based on the full-episode TV shows US Broadcasters & Cable Networks made available online for free in 2016, we estimate that on average 17% of the weekly viewing audience watched on average four episodes per week, 2015 saw 18% and we forecast 16% for 2017. We attribute the decline to the rise of OTT, the DVR, TV Everywhere, and the replacement of Hulu with Yahoo View.